

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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COMMISSION**

In the Matter of:

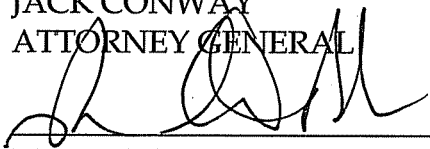
APPLICATION OF LOUISVILLE GAS)
AND ELECTRIC COMPANY FOR AN)
ADJUTMENT OF BASE RATES)

CASE NO. 2009-00549

ATTORNEY GENERAL'S PRE-FILED TESTIMONY

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and files the following testimony in the above-styled matter.

Respectfully submitted,
JACK CONWAY
ATTORNEY GENERAL



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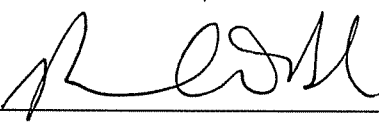
Certificate of Service and Filing

Counsel certifies that an original and ten photocopies of the foregoing were served and filed by hand delivery to Jeff Derouen, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601; counsel further states that true and accurate copies of the foregoing were mailed via First Class U.S. Mail, postage pre-paid, to:

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this 26th day of April, 2010



Assistant Attorney General

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LOUISVILLE GAS AND
ELECTRIC COMPANY FOR AN
ADJUSTMENT OF BASE RATES

) PSC CASE NO.
) 2009-00549
)

Direct Testimony of
Michael J. Majoros, Jr.

On Behalf of
The Office of the Attorney General

April 26, 2010

I. **INTRODUCTION / SUMMARY**

Q: Please state your name, position, and business address.

A: My name is Michael J. Majoros, Jr. I am Vice President of Snavelly King Majoros O'Connor & Bedell, Inc. (Snavelly King), located at 1111 14TH Street, N.W., Suite 300, Washington, D.C. 20005.

Q: Describe Snavelly King.

A: Snavelly King is an economic consulting firm, founded in 1970 to conduct research on a consulting basis into the rates, revenues, costs, and economic performance of regulated firms and industries. Our clients include government agencies, businesses, and individuals that purchase telecom, public utility and transportation services. In addition to consumer cost and anti-trust issues, we have provided our expertise in support of a clean environment and personal damages resulting from discrimination in agricultural programs. We believe in accountability, fair competition, and effective regulation.

The firm has a professional staff of 11 economists, accountants, engineers, and cost analysts. Most of our work involves the development, preparation, and presentation of expert witness testimony before Federal and state regulatory agencies. Over the course of our 40-year history, members of the firm have participated in more than 1,000 proceedings before almost all of the state commissions and all Federal commissions that regulate utilities or transportation industries.

Q: Have you prepared a summary of your qualifications and experience?

1 A: Yes, Appendix A is a summary of my qualifications and experience. Appendix B
2 contains a tabulation of my appearances as an expert witness before state and
3 Federal regulatory agencies.

4 **Q: For whom are you appearing in this proceeding?**

5 A: I am appearing on behalf of the Kentucky Office of Attorney General (AG).

6 **Q: Do you have any specific experience in the public utility field?**

7 A: Yes, I have been in the field of public utility regulation since the late 1970s. My
8 testimony has encompassed numerous complex revenue requirement issues.
9 Furthermore, I and other members of my firm specialize in the field of public
10 utility depreciation. We have appeared as expert witnesses on this subject before
11 the regulatory commissions of almost every state in the country.

12 **Q: Does your experience specifically include electric and gas utilities?**

13 A: Yes, I have appeared as an expert in several electric and gas utility proceedings.

14 **II. SUBJECT AND PURPOSE OF TESTIMONY**

15 **Q: What is the subject of your testimony?**

16 A: This case involves the 2009 Application for Adjustment of Base Rates of
17 Louisville Gas and Electric Company ("LGE"), a subsidiary of EON Corporation.

18 **Q: What is the purpose of your testimony?**

19 A: I have reviewed the Company's filing. Based upon my findings and the input of
20 others, I am recommending monetary adjustments to the LGE's filed request.

21 **Summary of LGE's Filing**

22
23 **Q: Please summarize LGE's filing.**

4 A: LGE filed a revenue requirement model reflecting a twelve month period ending

1 October 31, 2009. The Company proposes several adjustments to the test-period
2 book numbers on the rationale that they are "known and measurable and
3 therefore, reasonable." LGE requested an approximately \$95.0 million electric
4 revenue requirement increase and an approximately \$22.6 million gas revenue
5 requirement increase. LGE states that its electric operations are under earning
6 because its plant has increased since its last rate case and its operation and
7 maintenance costs have increased.¹ LGE provides testimony of several witnesses
8 to support its claim.

9 **Q: What are the results of your review of LGE's rate request?**

10 A: We have propounded numerous data requests related to the Company's rate
11 request, as well as reviewed those propounded by other intervenors. As a result of
12 this review, and in combination with the recommendations of Attorney General
13 Witnesses Woolridge and Watkins, I recommend that the Company's base rates
14 be decreased by approximately \$8.3 million for electric, as shown on Exhibit
15 MJM-1 and increased by \$0 for Gas, as shown on Exhibit MJM-3. First I will
16 discuss LGE's electric filing and then after that I will discuss LGE's gas filing.

17 **LGE's REQUEST FOR AN ADJUSTMENT OF ELECTRIC BASE RATES**

18 **Rate of Return**

19 **Adjustment No. 1 - Capital Structure and Rate of Return**

20 **Q. What rate of return are you using to develop your recommended revenue**
21 **requirements?**

22 A. Dr. Woolridge has informed me that, based on his review and analysis, he
23 recommends a capital structure of 50 percent debt and 50 percent equity, a 9.5

¹ Staffieri Testimony, pages 2 to 3.

1 percent return on equity and a 7.06 percent overall rate of return for electric
2 operations. See Exhibit MJM-1 Schedule 1.1. I have used his recommendations
3 in developing my recommended LGE electric revenue requirement.

4 **Proposed Accounting Adjustments**

5 **Q: Are you recommending any accounting adjustments to the Company's**
6 **revenue requirement filing?**

7 **A:** Yes. I will discuss each adjustment below. My discussions will cite to any
8 exhibits necessary for an understanding of the adjustments. However, I have
9 incorporated all of the actual adjustments as Schedules to Exhibit MJM-1.

10 **Adjustment No. 2 - Eliminate Weather Normalization Adjustment**

11 **Q. Please explain this adjustment.**

12 **A.** The AG has consistently disagreed with this type of adjustment for electric
13 companies in prior cases. For consistency, he also disagrees in this case. Mr.
14 Watkins provides more explanation of the adjustment. Adjustment No. 2 is
15 included on my Exhibit MJM-1 Schedule 1.2.

16 **Adjustment No. 3 - Apply Storm Damage and Other Regulatory Assets to**
17 **Regulatory Liability for Accrued Asset Removal Costs**

18 **Q. Please explain Adjustment No. 3.**

19 **A.** Witness Scott increased operating expenses by \$27.6 million and \$8.7 million for
20 the regulatory assets approved by the Commission for the 2008 and 2009 storms.²

21 **Q. Do you disagree with Ms Scott's figures?**

22 **A.** I agree with Ms Scott's figures, I disagree with her attempt to increase charges to
23 ratepayers for these amounts; such increases are not necessary.
24

² Scott Testimony, page 7.

1 **Q. Explain why it is not necessary to increase charges to ratepayers for**
2 **commission-approved regulatory assets.**

3 A. It is not necessary because ratepayers have already prefunded these costs. Exhibit
4 MJM-2 demonstrates that LGE reports a \$258.9 million regulatory liability for
5 accrued asset removal costs.³ This regulatory liability represents money collected
6 from ratepayers to provide for cost of removal expense in excess of its actual cost
7 of removal expenses. In other words, LGE did not use it for its intended
8 purposes. In fact, LGE continues to collect excess removal costs through the
9 commission-approved depreciation rates; hence the regulatory liability will
10 continue to grow. It does not make any sense to increase charges to ratepayers for
11 storm damages when LGE has already collected \$258.9 million and will continue
12 to collect such money. LGE should apply the commission-approved Storm
13 Damage Regulatory Assets and related amounts to LGE's Cost of Removal
14 Regulatory Liability. Exhibit MJM-1 Schedules 1.3.1 and 1.3.2 show these
15 adjustments.

16 **Q. Are there any other reasons the ratepayers should be concerned about that**
17 **money?**

18 A. Yes, LGE's Cost of Removal Regulatory Liability is likely to disappear when
19 LGE begins accounting under the new International Financial Accounting
20 Standards ("IFRS"). That is because, when LGE adopts IFRS, it will reduce the
21 huge regulatory liability to its present value. It will transfer the entire excess to its
22 equity account and then, should the Commission try to get the ratepayers' money

³ Charnas Response to AG-171.

1 back, LGE will claim the Commission is unlawfully taking its money. That will
2 be difficult to challenge when the entire world accounting profession will
3 maintain that it should be in LGE's equity account.

4 **Q. Has LGE increased its revenue requirement for any other regulatory assets?**

5 A. Yes, LGE has increased its revenue requirement for the commission-approved
6 regulatory assets relating to LGE's investments in the Kentucky Consortium for
7 Carbon Storage ("KCCS") and the Carbon Management Resources Group
8 ("CMRG").

9 **Q. What do you recommend concerning these other regulatory assets?**

10 A. LGE should also apply those commission-approved regulatory assets to its Cost
11 of Removal Regulatory Liability.

12 **Q. Do you have an Exhibit showing these adjustments?**

13 A. Yes, Exhibit MJM-1 Schedules 1.3.3 and 1.3.4 show the adjustments.

14 **Adjustment 4 Consolidated Tax Adjustment**

15 **Q. Please explain Adjustment 4.**

16 A. My adjustment No. 4 reduces LGE's income tax expense by the average
17 consolidated tax savings attributable to LGE. I used the "effective tax rate
18 methodology" approved the Commission in Case No. 2004-00103. This
19 adjustment reflects the average tax losses, excluding regulated losses, for the two
20 years ending in 2008. I requested the 2009 figures in order to calculate a three-
21 year average, but the Company did not provide them.

22 **Q. Do you agree with consolidated tax adjustments?**

23 A. Yes, I do. In my opinion, it is incorrect to charge ratepayers for taxes that neither

1 the Company nor its parent will ultimately pay to the federal government.

2 **Q. Do you have an Exhibit showing this adjustment?**

3 A. Yes, Exhibit MJM _1 Schedule 1.4 shows the adjustment.

4 **Q. How does this adjustment affect LGE's revenue requirement?**

5 A. It reduces LGE's electric operating expenses by \$34.9 million as shown on page 1
6 of Exhibit MJM-1 Schedule 1.4.1 Line 7 and it also affects the calculation of the
7 composite income tax rate and the revenue requirement conversion factor as
8 shown on, respectively, Schedules 1.4.2 Line 11 and 1.4.4 Line 11.

9 **Q. Have you included an interest synchronization adjustment?**

10 A. Yes, on Schedule 1.4.3 I have incorporated the interest synchronization
11 adjustment of the consolidated tax adjustment because it depends on the effective
12 tax rate.

13 **Q. Does this conclude your discussion of your adjustments to LGE's revenue**
14 **requirement?**

15 A. Yes, it does.

16 **Q. What is the result of your recommendations?**

17 A. LGE proposes a \$95.0 million electric increase, I recommend a \$8.3 decrease.

18 **Q. Will you now discuss LGE's gas revenue requirement request?**

19 A. Yes.

20 **I. LGE's REQUEST FOR AN ADJUSTMENT OF GAS BASE RATES**

21 **Summary of LGE Filing**

22 **Q: Please summarize LGE's gas filing.**

23 A: LGE requested an approximate \$22.6 million gas revenue increase. LGE does not

1 state the cause of its under earning.

2 **Q: What are the results of your review of LGE's gas rate request?**

3 A: As a result of our review, and in combination with the recommendations of
4 Attorney General Witnesses Woolridge and Watkins, I recommend that the
5 Company's gas base rates be increased by \$0 as shown on Exhibit MJM-3.

6 **Adjustment No. 1 - Rate of Return**

7 **Q. What rate of return are you using?**

8 A. Dr. Woolridge has informed me that, based on his review and analysis, he
9 recommends a capital structure of 50 percent debt and 50 percent equity, a 9.0
10 percent return on equity and a 6.81 percent overall rate of return for gas
11 operations. See Exhibit MJM-3 Schedule 3.1.

12 **Proposed Accounting Adjustments**

13 **Q: Are you recommending any individual accounting adjustments to the**
14 **Company's revenue requirement filing?**

15 A: Yes. I will discuss each adjustment below. My discussions will cite to any
16 exhibits necessary for an understanding of the adjustments. However, I have
17 incorporated all of the actual adjustments as Schedules to Exhibit MJM-3.

18 **Adjustment No. 2 - Apply Storm Damage Regulatory Asset to Regulatory**
19 **Liability for Accrued Asset removal Costs**

20 **Q. Please explain Adjustment No. 2.**

21 A. Witness Scott increased gas operating expenses by \$33.5 thousand for the
22 regulatory asset approved by the Commission of the 2009 storm.⁴
23

24 **Q. Do you disagree with Ms Scott's figures?**

⁴ Scott Testimony, page 7.

1 A. I agree with Ms Scott's figures, I disagree with her attempt to increase charges to
2 ratepayers for these amounts. I described my rational for this adjustment in my
3 discussion of LGE's electric revenue requirement adjustments.

4 **Q. Do you have an Exhibit showing this adjustment?**

5 A. Yes, Exhibit MJM-3 Schedule 3.2.1 shows the adjustment.

6 **Adjustment 3 Consolidated Tax Adjustment**

7 **Q. Please explain Adjustment 3.**

8 A. My adjustment No. 3 reduces LGE's income tax expense by the average
9 consolidated tax savings attributable to LGE. I used the "effective tax rate
10 methodology" approved the Commission in Case No. 2004-00103. This
11 adjustment reflects the average tax losses, excluding regulated losses, for the two
12 years ending in 2008. I requested the 2009 figures in order to calculate a three-
13 year average, but the Company did not provide them. I described my rational for
14 this adjustment in my discussion of LGE's electric revenue requirement
15 adjustments.

16 **Q. Do you have an Exhibit showing this adjustment?**

17 A. Yes, Exhibit MJM-3 Schedules 3.3.1, 3.3.2 and 3.3.4 show this adjustment.

18 **Q. Have you included an interest synchronization adjustment?**

19 A. Yes, on Schedule 3.3.3 I have incorporated the interest synchronization
20 adjustment of the consolidated tax adjustment because it depends on the effective
21 tax rate.

22 **Q. Does this conclude your testimony?**

A. Yes.

							Exhibit MJM-1
LOUISVILLE GAS AND ELECTRIC COMPANY							
Adjustments to Electric and Gas Operating Revenues, Operating Expenses and Net Operating Income							
For the Twelve Month. Ended October 31, 2009							
				Electric Department			
					Company	AG	
					Net	Net	
				Reference	Operating	Operating	Operating
				Schedule	Revenues	Expenses	Income
				(1)	(2)	(3)	(4)
1	Jurisdictional amount per books				958,491,753	824,538,507	133,953,246
2	Adjustments for known changes and to eliminate unrepresentative conditions:						
3	Adjustment to eliminate unbilled revenues	Bellar	1.00	(2,871,000)		(2,871,000)	(2,871,000)
4	Adjustment to eliminate Merger Surcredit	Bellar	1.01	2,323,679		2,323,679	2,323,679
5	Adjustment to eliminate Value Delivery Surcredit	Bellar	1.02	(395)		(395)	(395)
6	To adjust mismatch in fuel cost recovery	Conroy	1.03	(32,833,346)	(27,086,657)	(5,746,689)	(5,746,689)
7	To adjust base rates and FAC 10 reflect a full year of the base rate change and FAC roll-in	Conroy Exh 3					
8	Adjustment to eliminate Environmental Surcharge revenues and expenses)	Conroy Exh 3	1.04	(3,104,008)		(3,104,008)	(3,104,008)
9	To adjust base rate revenues and expenses to reflect a full year of the ECR roll-in	Conroy Exh 2	1.05	(8,394,624)	(3,707,947)	(4,686,677)	(4,686,679)
			1.06	6,853,924	3,377,839	3,476,085	3,476,085
10	Off-system sales revenue adjustment for the ECR calculation	Conroy	1.07	(2,033,628)		(2,033,628)	(2,033,628)
11	To eliminate net brokered and financial swap revenues and expenses	Scott	1.08	(10,165,209)	(248,375)	(9,916,834)	(9,916,834)
12	To eliminate ECR, MSR, FAC, and DSM accruals	Charnas	1.09	3,333,166		3,333,166	3,333,166
13	To eliminate DSM revenue and expenses	Conroy	1.10	(12,207,246)	(7,314,564)	(4,892,682)	(4,892,682)
14	To reflect weather normalized electric sales margins	Seelye	1.11	5,151,223	1,899,644	3,251,579	0
15	Adjustment to annualize year-end customers	Seelye	1.12	11,451,462	7,956,625	3,494,837	3,494,837
16	To adjust for customer billing corrections and rate switching	Conroy Exh 4	1.13	(875,110)		(875,110)	(875,110)
17	This adjustment left intentionally blank	Bellar	1.14				
18	Adjustment to reflect annualized depreciation expenses	Charnas =>					
		Bellar	1.15		6,204,918	(6,204,918)	(6,204,918)
19	Adjustment to reflect increases in labor and labor related costs	Scott => Rives	1.16		1,827,123	(1,827,123)	(1,827,123)
20	Adjustment for pension, post retirement and post employment costs	Scott => Rives	1.17		314,825	(314,825)	(314,825)
21	Adjustment to reflect the increase in property insurance expense	Arbough	1.18		355,686	(355,686)	(355,686)
22	Adjustment to reflect new pollution liability insurance expense	Arbough	1.19		514,962	(514,962)	(514,962)
23	Adjustment for hazard tree program	Bellar	1.20		1,759,303	(1,759,303)	(1,759,303)
24	Adjustment to reflect normalized storm damage expense	Scott Exh 1	1.21		(670,600)	670,600	670,600
25	Adjustment for injuries and damages FERC account 925	Charnas	1.22		313,993	(313,993)	(313,993)
26	Adjustment to eliminate advertising expenses pursuant to Commission Rule 807 KAR 5:016	Charnas	1.23		(404,623)	404,623	404,623
27	Adjustment for expenses related to retired mainframe	Charnas	1.24		(1,048,815)	1,048,815	1,048,815
28	Adjustment for MISO Exit Fee regulatory asset	Scott => Rives	1.25		(157,119)	157,119	157,119
29	Adjustment for EKPC regulatory asset	Scott	1.26		904,386	(904,386)	(904,386)
30	Adjustment for 2008 Wind storm regulatory asset	Scott	1.27		27,630,386	(27,630,386)	0
31	Adjustment for 2009 Winter storm regulatory asset	Scott	1.28		8,734,140	(8,734,140)	0
32	Adjustment for KCCS regulatory asset	Bellar	1.29		343,330	(343,330)	0
33	Adjustment for CMRG regulatory asset	Bellar	1.30		(1,940)	1,940	0
34	Adjustment to reflect amortization of rate case expenses	Charnas	1.31		324,253	(324,253)	(324,253)
35	Adjustment for Southwest Power Pool settlement expenses	Bellar	1.32		(583,743)	583,743	583,743
36	Adjustment to remove out of period adjustment for resettlements related to MISO RSG	Scott	1.33		(429,911)	429,911	429,911
37	Adjustment for USGC settlement for gypsum contract		1.34	(654,600)	480,212	(1,134,812)	(1,134,812)
38	Adjustment to remove FERC Hydropower program charges	Charnas	1.35		(157,135)	157,135	157,135
39	Adjustment for Interest rate swap amortization	Arbough Exh 3	1.36		205,798	(205,798)	(205,798)
40	Adjustment to correct Edison Electric Institute invoice	Charnas	1.37		62,735	(62,735)	(62,735)
41	To adjust property tax expense	Miller	1.38		815,661	(815,661)	(815,661)
42	Adjustment to revenues and expenses to eliminate gas supply cost recoveries and gas supply expenses		1.39				
43	Adjustment to revenues for temperature normalization		1.40				
	AG Consolidated Tax Adjustment						34,851,793
44	Total of above adjustments				(44,025,712)	22,214,390	2,066,026
45	Federal and state income taxes corresponding to base revenue and expense adjustments and above adjustments -	37.1912%	1.41		(24,635,520)	24,635,520	
	AG Federal and state income taxes -	11.8882%					245,613
46	Federal and state income taxes corresponding to annualization and adjustment of year-end interest expense		1.42		(160,039)	153,686	435,543
47	Prior income tax true-ups and adjustments		1.43		2,641,449	(2,641,449)	(2,641,449)
48	Adjustment for domestic production activities deduction		1.44		(1,259,667)	1,259,667	1,259,667
49	Adjustment for tax basis depreciation reduction		1.45		345,849	(345,849)	(345,849)
50	Adjustment for amortization of investment tax credit		1.46		(87,982)	87,982	87,982
51	Total adjustments				(44,025,712)	(941,520)	861,920
52	Adjusted Net Operating Income				914,466,041	823,596,987	134,815,166
Rives							
Exhibit 8							
Line No.							
1	Adjusted Electric Capitalization (Rives Exhibit 2)					1,805,791,768	1,805,791,768
2	Total Cost of Capital (8.32% Co.) and 7.06% AG - Schedule 1.1					8.32%	7.06%
3	Net Operating Income (Line 1 x Line 2)					150,241,875	127,488,899
4	Pro-forma Net Operating Income - Line 51, above					90,862,701	134,815,166
5	Net Operating Income Deficiency/(Sufficiency) (Line 3 - Line 4)					59,379,174	(7,326,267)
6	Gross Up Revenue Factor (.62521919 Co.) and .87794723 AG - Schedule 1.4.4 Line 11					0.62521919	0.87794723
7	Overall Revenue Deficiency/(Sufficiency) (Line 5 / Line 6)					94,973,370	(8,344,769)

LGE Capitalization and Rate of Return
Per Dr. Woolridge

Exhibit MJM-1
Schedule 1.1

Electric Utility Operations
Capitalization at October 31, 2009

Capital Source	Capitalization Ratio*	Cost Rate	Weighted Cost Rate
Short-Term Debt	0.00%	0.22%	0.00%
Long-Term Debt	50.00%	4.61%	2.31%
Common Equity	50.00%	9.50%	4.75%
Total	100.00%		7.06%

LOUISVILLE GAS AND ELECTRIC COMPANY

**Adjustment to Reflect Weather Normalized Electric Sales Margins
For the Twelve Months Ended October 31, 2009**

	Company Electric	AG Electric
1. Revenue adjustment	\$ 5,151,223	\$ -
2. Expense adjustment	1,899,644	-
3. Net adjustment	<u>\$ 3,251,579</u>	<u>\$ -</u>

LOUISVILLE GAS AND ELECTRIC COMPANY

Adjustment for 2008 Wind Storm Regulatory Asset
For the Twelve Months Ended October 31, 2009

	Company Electric	AG Electric
1. Kentucky Jurisdictional 2008 Wind Storm Regulatory Asset	\$ 23,540,333	\$ -
2. Amortization period in years	<u>5</u>	<u>0</u>
3. Amortization per year	\$ 4,708,067	\$ -
4. Amortization recorded in test year	-	-
5. Reverse net credits during the test year to establish the regulatory asset	<u>22,922,319</u>	<u>\$ -</u>
6. Total Adjustment	<u>\$ 27,630,386</u>	<u>\$ -</u>

LOUISVILLE GAS AND ELECTRIC COMPANY

**Adjustment for 2009 Winter Storm Regulatory Asset
For the Twelve Months Ended October 31, 2009**

	Company Electric	AG Electric
1. Kentucky Jurisdictional 2009 Winter Storm Regulatory Asset	\$ 43,693,631	\$ -
2. Adjustment to 2009 Winter Storm Regulatory Asset made in Nov '09	<u>\$ (22,930)</u>	<u>-</u>
3. Subtotal	\$ 43,670,702	\$ -
4. Amortization period in years	<u>5</u>	<u>0</u>
5. Amortization per year	\$ 8,734,140	\$ -
6. Amortization recorded in test year	<u>-</u>	<u>-</u>
7. Total Adjustment	<u>\$ 8,734,140</u>	<u>\$ -</u>

LOUISVILLE GAS AND ELECTRIC COMPANY

Adjustment for KCCS Regulatory Asset
For the Twelve Months Ended October 31, 2009

	Company Electric	AG Electric
1. KCCS Regulatory Asset recorded as of 10/31/2009	\$ 769,221	\$ -
2. KCCS payment made December 2009	108,819	-
3. Total KCCS Regulatory Asset at 12/31/2009	\$ 878,040	\$ -
4. Amortization period in years	4	0
5. Adjustment for annual amortization	\$ 219,510	\$ -
6. Reverse credit for reclass to regulatory asset	123,820	0
7. Adjustment for annual amortization	<u>\$ 343,330</u>	<u>\$ -</u>

LOUISVILLE GAS AND ELECTRIC COMPANY

Adjustment for CMRG Regulatory Asset
For the Twelve Months Ended October 31, 2009

	Company Electric	AG Electric
1. CMRG Regulatory Asset	\$ 2,000,000	\$ -
2. Company Allocation	48.78%	-
3. CMRG Regulatory Asset	\$ 975,600	\$ -
4. Amortization period in years	10	0
5. Amortization per year	\$ 97,560	\$ -
6. Expense recorded during test year	99,500	0
7. Total Adjustment (Line 5 - Line 6)	\$ (1,940)	\$ -

KU & LG&E Consolidated Tax Savings and Effective Tax Rate

KU		2007	2008	2009	2 Year Average
1	Positive Taxable Income				
2	KU Taxable Income				
3	Percent KU				
4	Tax Losses				
5	Tax Losses Allocated to KU				
6	2 Year Average				
7	Federal Income Taxes @35%	0.35			
8	Effective tax rate				
LG&E		2007	2008	2009	2 Year Average
9	Positive Taxable Income				
10	LG&E Taxable Income				
11	Percent LG&E				
12	Tax Losses				
13	Tax Losses Allocated to LG&E				
14	2 Year Average				
15	Federal Income Taxes @35%	0.35			
16	Effective tax rate				

Source: Response to AG 1-57

LOUISVILLE GAS AND ELECTRIC COMPANY

**Calculation of Composite Federal and Kentucky
Income Tax Rate
(Based on Law in Effect January 1, 2010)**

	Company	AG
1. Assume pre-tax income of	100.000000	100.000000
2. State income tax at 6.00%	5.736438	5.695585348
3. Taxable income for Federal income tax before production deduction	94.263562	94.304415
Production Rate	0.09	
Allocation to Production Income	0.5175	
Allocated Production Rate	4.66%	
4. Less: Production tax deduction (5.38% of Line 3)	4.3927	5.073577527
5. Taxable income for Federal income tax (Line 3 - Line 4)	89.87088001	89.23083747
6. Federal income tax at 35% (Line 5 x 35%)	31.454808	6.192620121
7. Total State and Federal income taxes (Line 2 + Line 6)	37.191246	11.88820547
8. Therefore, the composite rate is:		
9. Federal	0.31454808	0.061926201
10. State	0.05736438	0.056955853
11. Total	0.37191246	0.118882055

State Income Tax Calculation

1. Assume pre-tax income of	100.000000	100.000000
2. Less: Production tax deduction	4.3927	5.073577527
3. Taxable income for State income tax	95.607300	94.926422
4. State Tax Rate	0.06	0.06
5. State Income Tax	5.736438	5.695585348

LOUISVILLE GAS AND ELECTRIC COMPANY

**Calculation of Current Tax Adjustment Resulting
From "Interest Synchronization"**

	<u>Company</u>		<u>AG</u>	
	Electric	Gas	Electric	Gas
1. Adjusted Jurisdictional Capitalization - Exhibit 2	\$ 1,805,791,767	\$ 466,472,963	\$ 1,805,791,767	\$ 466,472,963
2. Weighted Cost of Debt - Exhibit 2	0.0213	0.0213	0.0231	0.0231
3. "Interest Synchronization"	38,463,365	9,935,874	41,713,790	10,775,525
4. Kentucky Jurisdictional Interest per books (excluding other interest)	38,050,134	9,742,761	38,050,134	9,742,761
5. "Interest Synchronization" adjustment (Line 4 - 3)	(413,231)	(193,113)	(3,663,656)	(1,032,764)
6. Composite Federal and State tax rate	0.37191246	0.37191246	0.118882055	0.118882055
7. Current tax adjustment from "Interest Synchronization"	\$ (153,686)	\$ (71,821)	\$ (435,543)	\$ (122,777)

Exhibit MJM-1
Schedule 1.4.4

LOUISVILLE GAS AND ELECTRIC COMPANY

**Calculation of Revenue Gross Up Factor
(Based on Law in Effect January 1, 2010)**

	<u>Company</u>	<u>AG</u>
1. Assume pre-tax income of	100.000000	100.000000
2. Bad Debt at .2800%	0.315650	0.315650
3. PSC Assessment at .1538%	0.153800	0.153800
4. Production Tax Credit (Reference Schedule 1.41)	4.392682	4.392682
5. Taxable income for State income tax	95.137868	95.137868
6. State income tax at 6.00%	5.708272	5.708272
7. Taxable income for Federal income tax	89.429596	89.429596
8. Federal income tax at (35% Co.) and 6.94 % SK	31.30035857	6.027554765
9. Total Bad Debt, PSC Assessment, State and Federal income taxes (Line 2 + Line 3 + Line 6 + Line 8)	37.478081	12.205277
10. Assume pre-tax income of	100.000000	100.000000
11. Gross Up Revenue Factor	62.521919	87.794723

Response to Question No. 171

Page 1 of 2

Charnas

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2009-00549

Response to Attorney General's Initial Requests for Information
Dated March 1, 2010

Question No. 171

Responding Witness: Shannon L. Charnas

Q-171. Provide an analysis of the regulatory liability for accrued asset removal costs since inception identifying and explaining each debit and credit entry and amount. Also, provide the copies of the pages from each of LG&E's SEC Form 10Ks, Form 10Qs and Annual Reports in which SFAS No. 143 was ever mentioned, whether or not LG&E had quantified an amount of the regulatory liability at the time. Specify the exact date each of these reports was issued and released to the public.

A-171. Please see the following table for an analysis of the regulatory liability for accrued asset removal cost since inception:

Regulatory Liability Balance 12/31/03	\$ (216,490,616)
Depreciation	(16,318,457)
Net Cost of Removal Charges	12,595,566
Regulatory Liability Balance 12/31/04	(220,213,507)
Depreciation	(16,849,489)
Net Cost of Removal Charges	7,509,011
Reclass of COR to Regulatory Liability from Life Reserves	8,260,343
FIN 47 Parent COR Transfer to FERC 254	2,424,396
Regulatory Liability Balance 12/31/05	(218,869,246)
Depreciation	(17,845,502)
Net Cost of Removal Charges	4,476,149
Regulatory Liability Balance 12/31/06	(232,238,599)
Depreciation	(17,610,294)
Net Cost of Removal Charges	8,904,588
Regulatory Liability Balance 12/31/07	(240,944,305)
Depreciation	(18,498,025)
Net Cost of Removal Charges	8,784,192
Regulatory Liability Balance 12/31/08	(250,658,138)
Depreciation	(18,420,695)
Net Cost of Removal Charges	10,206,477
Regulatory Liability Balance 10/31/09	\$ (258,872,356)

Response to Question No. 171

Page 2 of 2

Charnas

For copies of pages referencing SFAS No. 143¹ from LG&E's SEC Form 10Ks, Form 10Qs and Annual Reports, see the CD provided, in the folder titled Question No. 171. The following table specifies the date these reports were released:

<u>Document</u>	<u>Released Date</u>
2008 LG&E Annual Report	03/24/09
2008 KU Annual Report	03/24/09
2007 LG&E Annual Report	03/20/08
2007 KU Annual Report	03/20/08
2006 LG&E 10-K	03/21/07
2006 KU Annual Report	03/29/07
2006 LG&E and KU 10-Q, quarter ended 3/31/06	05/04/06
2005 LG&E and KU 10-K	03/30/06
2005 LG&E and KU 10-Q, quarter ended 9/30/05	11/10/05
2005 LG&E and KU 10-Q, quarter ended 6/30/05	08/12/05
2005 LG&E and KU 10-Q, quarter ended 3/31/05	05/13/05
2004 LG&E and KU 10-K	03/30/05
2003 LG&E and KU 10-K	03/30/04
2003 LG&E and KU 10-Q, quarter ended 9/30/03	11/13/03
2003 LG&E and KU 10-Q, quarter ended 6/30/03	08/13/03
2003 LG&E and KU 10-Q, quarter ended 3/31/03	05/14/03
2002 LG&E and KU 10-K	03/25/03
2002 LG&E and KU 10-Q, quarter ended 9/30/02	11/14/02
2002 LG&E and KU 10-Q, quarter ended 6/30/02	08/14/02
2002 LG&E and KU 10-Q, quarter ended 3/31/02	05/14/02
2001 LG&E and KU 10-K	03/28/02
2001 LG&E and KU 10-Q, quarter ended 3/31/01	11/14/01

¹ The guidance in SFAS No. 143 is now contained in FASB Accounting Standards Codification Topic 410, adopted effective September 30, 2009.

							Exhibit MJM-3
LOUISVILLE GAS AND ELECTRIC COMPANY							
Adjustments to Electric and Gas Operating Revenues, Operating Expenses and Net Operating Income				Gas Department			
For the Twelve Month, Ended October 31, 2009						Company	AG
						Net	Net
		Reference	Operating	Operating		Operating	Operating
		Schedule	Revenues	Expenses		Income	Income
		(1)	(5)	(6)		(7)	(7)
1 Jurisdictional amount per books			418,890,259	398,969,916		19,920,343	19,920,344
2 Adjustments for known changes and to eliminate unrepresentative conditions:							
3 Adjustment to eliminate unbilled revenues	Bellar	1.00	11,377,000			11,377,000	11,377,000
4 Adjustment to eliminate Merger Surcredit	Bellar	1.01					
5 Adjustment to eliminate Value Delivery Surcredit	Bellar	1.02	(323)			(323)	(323)
6 To adjust mismatch in fuel cost recovery	Conroy	1.03					
7 To adjust base rates and FAC to reflect a full year of the base rate change and FAC roll-in	Conroy Exh 3	1.04	9,941,139			9,941,139	9,941,139
8 Adjustment to eliminate Environmental Surcharge revenues and expenses)	Conroy Exh 3	1.05					
9 To adjust base rate revenues and expenses to reflect a full year of the ECR roll-in	Conroy Exh 2	1.06					
10 Off-system sales revenue adjustment for the ECR calculation	Conroy	1.07					
11 To eliminate net brokered and financial swap revenues and expenses	Scott	1.08					
12 To eliminate ECR, MSR, FAC, and DSM accruals	Charnas	1.09	2,228,479			2,228,479	2,228,479
13 To eliminate DSM revenue and expenses	Conroy	1.10	(2,319,554)	(1,898,813)		(420,741)	(420,741)
14 To reflect weather normalized electric sales margins	Seelye	1.11					
15 Adjustment to annualize year-end customers	Seelye	1.12	1,760,940	541,722		1,219,218	1,219,218
16 To adjust for customer billing corrections and rate switching	Conroy Exh 4	1.13	22,135			22,135	22,135
17 This adjustment left intentionally blank	Bellar	1.14					
18 Adjustment to reflect annualized depreciation expenses	Charnas =>						
	Bellar	1.15		385,987		(385,987)	(385,987)
19 Adjustment to reflect increases in labor and labor related costs	Scott => Rives	1.16		456,780		(456,780)	(456,780)
20 Adjustment for pension, post retirement and post employment costs	Scott => Rives	1.17		78,706		(78,706)	(78,706)
21 Adjustment to reflect the increase in property insurance expense	Arbough	1.18		88,922		(88,922)	(88,922)
22 Adjustment to reflect new pollution liability insurance expense	Arbough	1.19		128,741		(128,741)	(128,741)
23 Adjustment for hazard tree program	Bellar	1.20					
24 Adjustment to reflect normalized storm damage expense	Scott Exh 1	1.21					
25 Adjustment for injuries and damages FERC account 925	Charnas	1.22		38,531		(38,531)	(38,531)
26 Adjustment to eliminate advertising expenses pursuant to Commission Rule 807 KAR 5:016	Charnas	1.23		(149,398)		149,398	149,398
27 Adjustment for expenses related to retired mainframe	Charnas	1.24		(352,000)		352,000	352,000
28 Adjustment for MISO Exit Fee regulatory asset	Scott => Rives	1.25					
29 Adjustment for EKPC regulatory asset	Scott	1.26					
30 Adjustment for 2008 Wind storm regulatory asset	Scott	1.27					
31 Adjustment for 2009 Winter storm regulatory asset	Scott	1.28		33,538		(33,538)	
32 Adjustment for KCCS regulatory asset	Bellar	1.29					
33 Adjustment for CMRG regulatory asset	Bellar	1.30					
34 Adjustment to reflect amortization of rate case expenses	Charnas	1.31		107,664		(107,664)	(107,664)
35 Adjustment for Southwest Power Pool settlement expenses	Bellar	1.32					
36 Adjustment to remove out of period adjustment for resettlements related to MISO RSG	Scott	1.33					
37 Adjustment for USGC settlement for gypsum contract		1.34					
38 Adjustment to remove FERC Hydropower program charges	Charnas	1.35					
39 Adjustment for Interest rate swap amortization	Arbough Exh 3	1.36		52,677		(52,677)	(52,677)
40 Adjustment to correct Edison Electric Institute Invoice	Charnas	1.37		(62,735)		62,735	62,735
41 To adjust property tax expense	Miller	1.38		(29,440)		29,440	29,440
42 Adjustment to revenues and expenses to eliminate gas supply cost recoveries and gas supply expenses	Conroy Exh 6	1.39	(322,476,565)	(306,994,052)		(15,482,513)	(15,482,513)
43 Adjustment to revenues for temperature normalization	Seelye	1.40	(248,948)			(248,948)	(248,948)
AG Consolidated Tax Adjustment							4,250,645
44 Total of above adjustments			(299,715,697)	(307,573,170)		7,857,473	12,141,656
45 Federal and state income taxes corresponding to base revenue and expense adjustments and above adjustments -	37.1912	1.41		2,922,292		(2,922,292)	
AG Federal and state income taxes -	11.88820547						1,443,425
46 Federal and state income taxes corresponding to annualization and adjustment of year-end interest expense		1.42		(74,790)		71,821	122,777
47 Prior income tax true-ups and adjustments		1.43		232,125		(232,125)	(232,125)
48 Adjustment for domestic production activities deduction		1.44					
49 Adjustment for tax basis depreciation reduction		1.45					
50 Adjustment for amortization of investment tax credit		1.46		13,472		(13,472)	(13,472)
51 Total adjustments			(299,715,697)	(304,480,071)		4,761,405	12,018,836
52 Adjusted Net Operating Income			(299,715,697)	94,489,845		24,681,748	31,939,180
Rives							
Exhibit 8							
Line No.							
1	Adjusted Gas Capitalization (Rives Exhibit 2)					466,472,962	466,472,962
2	Total Cost of Capital (8.32% Co.) and 7.06% AG - Schedule 1.1					8.32%	6.81%
3	Net Operating Income (Line 1 x Line 2)					38,810,550	31,766,809
4	Pro-forma Net Operating Income - Line 51, above					24,681,748	31,939,180
5	Net Operating Income Deficiency/(Sufficiency) (Line 3 - Line 4)					14,128,802	(172,372)
6	Gross Up Revenue Factor (.62521919 Co.) and .87794723 AG - Schedule 1.3.4 Line 11					0.62521919	0.87794723
7	Overall Revenue Deficiency/(Sufficiency) (Line 5 / Line 6)					22,598,159	(196,335)

LGE Capitalization and Rate of Return
Per Dr. Woolridge

Exhibit MJM-3
Schedule 3.1

Gas Utility Operations
Capitalization at October 31, 2009

Capital	Capitalization Ratio*	Cost Rate	Weighted Cost Rate
Short-Term	0.00%	0.22%	0.00%
Long-Term	50.00%	4.61%	2.31%
Common	50.00%	9.00%	4.50%
Total	100.00%		6.81%

LOUISVILLE GAS AND ELECTRIC COMPANY

**Adjustment for 2009 Winter Storm Regulatory Asset
For the Twelve Months Ended October 31, 2009**

	Company Gas	AG Gas
1. Kentucky Jurisdictional 2009 Winter Storm Regulatory Asset	\$ 167,689	\$ -
2. Adjustment to 2009 Winter Storm Regulatory Asset made in Nov '09	\$ -	\$ -
3. Subtotal	\$ 167,689	\$ -
4. Amortization period in years	5	0
5. Amortization per year	\$ 33,538	\$ -
6. Amortization recorded in test year	-	-
7. Total Adjustment	\$ 33,538	\$ -

KU & LG&E Consolidated Tax Savings and Effective Tax Rate

<u>KU</u>	2007	2008	2009	2 Year Average
1 Positive Taxable Income				
2 KU Taxable Income				
3 Percent KU				
4 Tax Losses				
5 Tax Losses Allocated to KU				
6 2 Year Average				
Federal Income Taxes				
7 @35% 0.35				
8 Effective tax rate				

<u>LG&E</u>	2007	2008	2009	2 Year Average
9 Positive Taxable Income				
10 LG&E Taxable Income				
11 Percent LG&E				
12 Tax Losses				
Tax Losses Allocated to				
13 LG&E				
14 2 Year Average				
Federal Income Taxes				
15 @35% 0.35				
16 Effective tax rate				

Source: Response to AG 1-57

Allocation of Savings to LGE Electric and Gas	Test Year Income Taxes 1/	Percent	Allocated Savings
Electric			
Gas			
Total			

1/ Source: Filing Requirement 10(7)(a)

LOUISVILLE GAS AND ELECTRIC COMPANY

**Calculation of Composite Federal and Kentucky
Income Tax Rate
(Based on Law in Effect January 1, 2010)**

	<u>Company Gas</u>	<u>AG Gas</u>
1. Assume pre-tax income of	100.000000	100.000000
2. State income tax at 6.00%	5.736438	5.695585348
3. Taxable income for Federal income tax before production deduction	94.263562	94.304415
Production Rate	0.09	
Allocation to Production Income	0.5175	
Allocated Production Rate	4.66%	
4. Less: Production tax deduction (5.38% of Line 3)	4.3927	5.073577527
5. Taxable income for Federal income tax (Line 3 - Line 4)	89.87088001	89.23083747
6. Federal income tax at 35% (Line 5 x 35%)	31.454808	6.192620121
7. Total State and Federal income taxes (Line 2 + Line 6)	37.191246	11.88820547
8. Therefore, the composite rate is:		
9. Federal	0.31454808	0.061926201
10. State	0.05736438	0.056955853
11. Total	0.37191246	0.118882055

State Income Tax Calculation

1. Assume pre-tax income of	100.000000	100.000000
2. Less: Production tax deduction	4.3927	5.073577527
3. Taxable income for State income tax	95.607300	94.926422
4. State Tax Rate	0.06	0.06
5. State Income Tax	5.736438	5.695585348

LOUISVILLE GAS AND ELECTRIC COMPANY

**Calculation of Current Tax Adjustment Resulting
From "Interest Synchronization"**

	<u>Company</u>		<u>AG</u>	
	<u>Electric</u>	<u>Gas</u>	<u>Electric</u>	<u>Gas</u>
1. Adjusted Jurisdictional Capitalization - Exhibit 2	\$ 1,805,791,767	\$ 466,472,963	\$ 1,805,791,767	\$ 466,472,963
2. Weighted Cost of Debt - Exhibit 2	0.0213	0.0213	0.0231	0.0231
3. "Interest Synchronization"	38,463,365	9,935,874	41,713,790	10,775,525
4. Kentucky Jurisdictional Interest per books (excluding other interest)	38,050,134	9,742,761	38,050,134	9,742,761
5. "Interest Synchronization" adjustment (Line 4 - 3)	(413,231)	(193,113)	(3,663,656)	(1,032,764)
6. Composite Federal and State tax rate	0.37191246	0.37191246	0.118882055	0.118882055
7. Current tax adjustment from "Interest Synchronization"	\$ (153,686)	\$ (71,821)	\$ (435,543)	\$ (122,777)

LOUISVILLE GAS AND ELECTRIC COMPANY

**Calculation of Revenue Gross Up Factor
(Based on Law in Effect January 1, 2010)**

	<u>Company</u>	<u>AG</u>
1. Assume pre-tax income of	100.000000	100.000000
2. Bad Debt at .2800%	0.315650	0.315650
3. PSC Assessment at .1538%	0.153800	0.153800
4. Production Tax Credit (Reference Schedule 1.41)	4.392682	4.392682
5. Taxable income for State income tax	95.137868	95.137868
6. State income tax at 6.00%	5.708272	5.708272
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9. Total Bad Debt, PSC Assessment, State and Federal income taxes (Line 2 + Line 3 + Line 6 + Line 8)	37.478081	12.205277
10. Assume pre-tax income of	100.000000	100.000000
11. Gross Up Revenue Factor	62.521919	87.794723

Experience

Snively King Majoros O'Connor & Bedell, Inc.

Vice President and Treasurer (1988 to Present)

Senior Consultant (1981-1987)

Mr. Majoros provides consultation specializing in accounting, financial, and management issues. He has testified as an expert witness or negotiated on behalf of clients in more than one hundred thirty regulatory federal and state regulatory proceedings involving telephone, electric, gas, water, and sewerage companies. His testimony has encompassed a wide array of complex issues including taxation, divestiture accounting, revenue requirements, rate base, nuclear decommissioning, plant lives, and capital recovery. Mr. Majoros has also provided consultation to the U.S. Department of Justice and appeared before the U.S. EPA and the Maryland State Legislature on matters regarding the accounting and plant life effects of electric plant modifications and the financial capacity of public utilities to finance environmental controls. He has estimated economic damages suffered by black farmers in discrimination suits.

Van Scoyoc & Wiskup, Inc., Consultant (1978-1981)

Mr. Majoros conducted and assisted in various management and regulatory consulting projects in the public utility field, including preparation of electric system load projections for a group of municipally and cooperatively owned electric systems; preparation of a system of accounts and reporting of gas and oil pipelines to be used by a state regulatory commission; accounting system analysis and design for rate proceedings involving electric, gas, and telephone utilities. Mr. Majoros provided onsite management accounting and controllership assistance to a municipal electric and water utility. Mr. Majoros also assisted in an antitrust proceeding involving a major electric utility. He submitted expert testimony in FERC Docket No. RP79-12 (El Paso Natural Gas Company), and he co-authored a study entitled Analysis of Staff Study on Comprehensive Tax Normalization that was submitted to FERC in Docket No. RM 80-42.

Handling Equipment Sales Company, Inc.

Controller/Treasurer (1976-1978)

Mr. Majoros' responsibilities included financial management, general accounting and reporting, and income taxes.

Ernst & Ernst, Auditor (1973-1976)

Mr. Majoros was a member of the audit staff where his responsibilities included auditing, supervision, business systems analysis, report preparation, and corporate income taxes.

University of Baltimore - (1971-1973)

Mr. Majoros was a full-time student in the School of Business.

During this period Mr. Majoros worked consistently on a part-time basis in the following positions: Assistant Legislative Auditor – State of Maryland, Staff Accountant – Robert M. Carney & Co., CPA's, Staff Accountant – Naron & Wegad, CPA's, Credit Clerk – Montgomery Wards.

Central Savings Bank, (1969-1971)

Mr. Majoros was an Assistant Branch Manager at the time he left the bank to attend college as a full-time student. During his tenure at the bank, Mr. Majoros gained experience in each department of the bank. In addition, he attended night school at the University of Baltimore.

Education

University of Baltimore, School of Business, B.S. –
Concentration in Accounting

Professional Affiliations

American Institute of Certified Public Accountants
Maryland Association of C.P.A.s
Society of Depreciation Professionals

Publications, Papers, and Panels

"Analysis of Staff Study on Comprehensive Tax Normalization," FERC Docket No. RM 80-42, 1980.

"Telephone Company Deferred Taxes and Investment Tax Credits – A Capital Loss for Ratepayers," Public Utility Fortnightly, September 27, 1984.

"The Use of Customer Discount Rates in Revenue Requirement Comparisons," Proceedings of the 25th Annual Iowa State Regulatory Conference, 1986

"The Regulatory Dilemma Created By Emerging Revenue Streams of Independent Telephone Companies," Proceedings of NARUC 101st Annual Convention and Regulatory Symposium, 1989.

"BOC Depreciation Issues in the States," National Association of State Utility Consumer Advocates, 1990 Mid-Year Meeting, 1990.

"Current Issues in Capital Recovery" 30th Annual Iowa State Regulatory Conference, 1991.

"Impaired Assets Under SFAS No. 121," National Association of State Utility Consumer Advocates, 1996 Mid-Year Meeting, 1996.

"What's 'Sunk' Ain't Stranded: Why Excessive Utility Depreciation is Avoidable," with James Campbell, Public Utilities Fortnightly, April 1, 1999.

"Local Exchange Carrier Depreciation Reserve Percents," with Richard B. Lee, Journal of the Society of Depreciation Professionals, Volume 10, Number 1, 2000-2001

"Rolling Over Ratepayers," Public Utilities Fortnightly, Volume 143, Number 11, November, 2005.

"Asset Management – What is it?," American Water Works Association, Pre-Conference Workshop, March 25, 2008.

Michael J. Majoros, Jr.

<u>Date</u>	<u>Jurisdiction / Agency</u>	<u>Docket</u>	<u>Utility</u>
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Federal Courts

2005	US District Court, Northern District of AL, Northwestern Division 55/56/57/	CV 01-B-403-NW	Tennessee Valley Authority
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State Legislatures

2006	Maryland General Assembly 61/	SB154	Maryland Healthy Air Act
2006	Maryland House of Delegates 62/	HB189	Maryland Healthy Air Act

Federal Regulatory Agencies

1979	FERC-US 19/	RP79-12	El Paso Natural Gas Co.
1980	FERC-US 19/	RM80-42	Generic Tax Normalization
1996	CRTC-Canada 30/	97-9	All Canadian Telecoms
1997	CRTC-Canada 31/	97-11	All Canadian Telecoms
1999	FCC 32/	98-137 (Ex Parte)	All LECs
1999	FCC 32/	98-91 (Ex Parte)	All LECs
1999	FCC 32/	98-177 (Ex Parte)	All LECs
1999	FCC 32/	98-45 (Ex Parte)	All LECs
2000	EPA 35/	CAA-00-6	Tennessee Valley Authority
2003	FERC 48/	RM02-7	All Utilities
2003	FCC 52/	03-173	All LECs
2003	FERC 53/	ER03-409-000, ER03-666-000	Pacific Gas and Electric Co.

State Regulatory Agencies

1982	Massachusetts 17/	DPU 557/558	Western Mass Elec. Co.
1982	Illinois 16/	ICC81-8115	Illinois Bell Telephone Co.
1983	Maryland 8/	7574-Direct	Baltimore Gas & Electric Co.
1983	Maryland 8/	7574-Surrebuttal	Baltimore Gas & Electric Co.
1983	Connecticut 15/	810911	Woodlake Water Co.
1983	New Jersey 1/	815-458	New Jersey Bell Tel. Co.
1983	New Jersey 14/	8011-827	Atlantic City Sewerage Co.
1984	Dist. Of Columbia 7/	785	Potomac Electric Power Co.
1984	Maryland 8/	7689	Washington Gas Light Co.
1984	Dist. Of Columbia 7/	798	C&P Tel. Co.
1984	Pennsylvania 13/	R-832316	Bell Telephone Co. of PA
1984	New Mexico 12/	1032	Mt. States Tel. & Telegraph
1984	Idaho 18/	U-1000-70	Mt. States Tel. & Telegraph

Michael J. Majoros, Jr.

1984	Colorado <u>11/</u>	1655	Mt. States Tel. & Telegraph
1984	Dist. Of Columbia <u>7/</u>	813	Potomac Electric Power Co.
1984	Pennsylvania <u>3/</u>	R842621-R842625	Western Pa. Water Co.
1985	Maryland <u>8/</u>	7743	Potomac Edison Co.
1985	New Jersey <u>1/</u>	848-856	New Jersey Bell Tel. Co.
1985	Maryland <u>8/</u>	7851	C&P Tel. Co.
1985	California <u>10/</u>	I-85-03-78	Pacific Bell Telephone Co.
1985	Pennsylvania <u>3/</u>	R-850174	Phila. Suburban Water Co.
1985	Pennsylvania <u>3/</u>	R850178	Pennsylvania Gas & Water Co.
1985	Pennsylvania <u>3/</u>	R-850299	General Tel. Co. of PA
1986	Maryland <u>8/</u>	7899	Delmarva Power & Light Co.
1986	Maryland <u>8/</u>	7754	Chesapeake Utilities Corp.
1986	Pennsylvania <u>3/</u>	R-850268	York Water Co.
1986	Maryland <u>8/</u>	7953	Southern Md. Electric Corp.
1986	Idaho <u>9/</u>	U-1002-59	General Tel. Of the Northwest
1986	Maryland <u>8/</u>	7973	Baltimore Gas & Electric Co.
1987	Pennsylvania <u>3/</u>	R-860350	Dauphin Cons. Water Supply
1987	Pennsylvania <u>3/</u>	C-860923	Bell Telephone Co. of PA
1987	Iowa <u>6/</u>	DPU-86-2	Northwestern Bell Tel. Co.
1987	Dist. Of Columbia <u>7/</u>	842	Washington Gas Light Co.
1988	Florida <u>4/</u>	880069-TL	Southern Bell Telephone
1988	Iowa <u>6/</u>	RPU-87-3	Iowa Public Service Company
1988	Iowa <u>6/</u>	RPU-87-6	Northwestern Bell Tel. Co.
1988	Dist. Of Columbia <u>7/</u>	869	Potomac Electric Power Co.
1989	Iowa <u>6/</u>	RPU-88-6	Northwestern Bell Tel. Co.
1990	New Jersey <u>1/</u>	1487-88	Morris City Transfer Station
1990	New Jersey <u>5/</u>	WR 88-80967	Toms River Water Company
1990	Florida <u>4/</u>	890256-TL	Southern Bell Company
1990	New Jersey <u>1/</u>	ER89110912J	Jersey Central Power & Light
1990	New Jersey <u>1/</u>	WR90050497J	Elizabethtown Water Co.
1991	Pennsylvania <u>3/</u>	P900465	United Tel. Co. of Pa.
1991	West Virginia <u>2/</u>	90-564-T-D	C&P Telephone Co.
1991	New Jersey <u>1/</u>	90080792J	Hackensack Water Co.
1991	New Jersey <u>1/</u>	WR90080884J	Middlesex Water Co.
1991	Pennsylvania <u>3/</u>	R-911892	Phil. Suburban Water Co.
1991	Kansas <u>20/</u>	176, 716-U	Kansas Power & Light Co.
1991	Indiana <u>29/</u>	39017	Indiana Bell Telephone
1991	Nevada <u>21/</u>	91-5054	Central Tele. Co. – Nevada
1992	New Jersey <u>1/</u>	EE91081428	Public Service Electric & Gas
1992	Maryland <u>8/</u>	8462	C&P Telephone Co.
1992	West Virginia <u>2/</u>	91-1037-E-D	Appalachian Power Co.
1993	Maryland <u>8/</u>	8464	Potomac Electric Power Co.
1993	South Carolina <u>22/</u>	92-227-C	Southern Bell Telephone
1993	Maryland <u>8/</u>	8485	Baltimore Gas & Electric Co.
1993	Georgia <u>23/</u>	4451-U	Atlanta Gas Light Co.

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1993	New Jersey <u>1/</u>	GR93040114	New Jersey Natural Gas. Co.
1994	Iowa <u>6/</u>	RPU-93-9	U.S. West – Iowa
1994	Iowa <u>6/</u>	RPU-94-3	Midwest Gas
1995	Delaware <u>24/</u>	94-149	Wilm. Suburban Water Corp.
1995	Connecticut <u>25/</u>	94-10-03	So. New England Telephone
1995	Connecticut <u>25/</u>	95-03-01	So. New England Telephone
1995	Pennsylvania <u>3/</u>	R-00953300	Citizens Utilities Company
1995	Georgia <u>23/</u>	5503-0	Southern Bell
1996	Maryland <u>8/</u>	8715	Bell Atlantic
1996	Arizona <u>26/</u>	E-1032-95-417	Citizens Utilities Company
1996	New Hampshire <u>27/</u>	DE 96-252	New England Telephone
1997	Iowa <u>6/</u>	DPU-96-1	U S West – Iowa
1997	Ohio <u>28/</u>	96-922-TP-UNC	Ameritech – Ohio
1997	Michigan <u>28/</u>	U-11280	Ameritech – Michigan
1997	Michigan <u>28/</u>	U-112 81	GTE North
1997	Wyoming <u>27/</u>	7000-ztr-96-323	US West – Wyoming
1997	Iowa <u>6/</u>	RPU-96-9	US West – Iowa
1997	Illinois <u>28/</u>	96-0486-0569	Ameritech – Illinois
1997	Indiana <u>28/</u>	40611	Ameritech – Indiana
1997	Indiana <u>27/</u>	40734	GTE North
1997	Utah <u>27/</u>	97-049-08	US West – Utah
1997	Georgia <u>28/</u>	7061-U	BellSouth – Georgia
1997	Connecticut <u>25/</u>	96-04-07	So. New England Telephone
1998	Florida <u>28/</u>	960833-TP et. al.	BellSouth – Florida
1998	Illinois <u>27/</u>	97-0355	GTE North/South
1998	Michigan <u>33/</u>	U-11726	Detroit Edison
1999	Maryland <u>8/</u>	8794	Baltimore Gas & Electric Co.
1999	Maryland <u>8/</u>	8795	Delmarva Power & Light Co.
1999	Maryland <u>8/</u>	8797	Potomac Edison Company
1999	West Virginia <u>2/</u>	98-0452-E-GI	Electric Restructuring
1999	Delaware <u>24/</u>	98-98	United Water Company
1999	Pennsylvania <u>3/</u>	R-00994638	Pennsylvania American Water
1999	West Virginia <u>2/</u>	98-0985-W-D	West Virginia American Water
1999	Michigan <u>33/</u>	U-11495	Detroit Edison
2000	Delaware <u>24/</u>	99-466	Tidewater Utilities
2000	New Mexico <u>34/</u>	3008	US WEST Communications, Inc.
2000	Florida <u>28/</u>	990649-TP	BellSouth -Florida
2000	New Jersey <u>1/</u>	WR30174	Consumer New Jersey Water
2000	Pennsylvania <u>3/</u>	R-00994868	Philadelphia Suburban Water
2000	Pennsylvania <u>3/</u>	R-0005212	Pennsylvania American Sewerage
2000	Connecticut <u>25/</u>	00-07-17	Southern New England Telephone
2001	Kentucky <u>36/</u>	2000-373	Jackson Energy Cooperative
2001	Kansas <u>38/39/40/</u>	01-WSRE-436-RTS	Western Resources
2001	South Carolina <u>22/</u>	2001-93-E	Carolina Power & Light Co.
2001	North Dakota <u>37/</u>	PU-400-00-521	Northern States Power/Xcel Energy

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2001	Indiana 29/41/	41746	Northern Indiana Power Company
2001	New Jersey 1/	GR01050328	Public Service Electric and Gas
2001	Pennsylvania 3/	R-00016236	York Water Company
2001	Pennsylvania 3/	R-00016339	Pennsylvania America Water
2001	Pennsylvania 3/	R-00016356	Wellsboro Electric Coop.
2001	Florida 4/	010949-EL	Gulf Power Company
2001	Hawaii 42/	00-309	The Gas Company
2002	Pennsylvania 3/	R-00016750	Philadelphia Suburban
2002	Nevada 43/	01-10001 & 10002	Nevada Power Company
2002	Kentucky 36/	2001-244	Fleming Mason Electric Coop.
2002	Nevada 43/	01-11031	Sierra Pacific Power Company
2002	Georgia 27/	14361-U	BellSouth-Georgia
2002	Alaska 44/	U-01-34,82-87,66	Alaska Communications Systems
2002	Wisconsin 45/	2055-TR-102	CenturyTel
2002	Wisconsin 45/	5846-TR-102	TelUSA
2002	Vermont 46/	6596	Citizen's Energy Services
2002	North Dakota 37/	PU-399-02-183	Montana Dakota Utilities
2002	Kansas 40/	02-MDWG-922-RTS	Midwest Energy
2002	Kentucky 36/	2002-00145	Columbia Gas
2002	Oklahoma 47/	200200166	Reliant Energy ARKLA
2002	New Jersey 1/	GR02040245	Elizabethtown Gas Company
2003	New Jersey 1/	ER02050303	Public Service Electric and Gas Co.
2003	Hawaii 42/	01-0255	Young Brothers Tug & Barge
2003	New Jersey 1/	ER02080506	Jersey Central Power & Light
2003	New Jersey 1/	ER02100724	Rockland Electric Co.
2003	Pennsylvania 3/	R-00027975	The York Water Co.
2003	Pennsylvania /3	R-00038304	Pennsylvania-American Water Co.
2003	Kansas 20/ 40/	03-KGSG-602-RTS	Kansas Gas Service
2003	Nova Scotia, CN 49/	EMO NSPI	Nova Scotia Power, Inc.
2003	Kentucky 36/	2003-00252	Union Light Heat & Power
2003	Alaska 44/	U-96-89	ACS Communications, Inc.
2003	Indiana 29/	42359	PSI Energy, Inc.
2003	Kansas 20/ 40/	03-ATMG-1036-RTS	Atmos Energy
2003	Florida 50/	030001-E1	Tampa Electric Company
2003	Maryland 51/	8960	Washington Gas Light
2003	Hawaii 42/	02-0391	Hawaiian Electric Company
2003	Illinois 28/	02-0864	SBC Illinois
2003	Indiana 28/	42393	SBC Indiana
2004	New Jersey 1/	ER03020110	Atlantic City Electric Co.
2004	Arizona 26/	E-01345A-03-0437	Arizona Public Service Company
2004	Michigan 27/	U-13531	SBC Michigan
2004	New Jersey 1/	GR03080683	South Jersey Gas Company
2004	Kentucky 36/	2003-00434,00433	Kentucky Utilities, Louisville Gas & Electric
2004	Florida 50/ 54/	031033-EI	Tampa Electric Company

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2004	Kentucky 36/	2004-00067	Delta Natural Gas Company
2004	Georgia 23/	18300, 15392, 15393	Georgia Power Company
2004	Vermont 46/	6946, 6988	Central Vermont Public Service Corporation
2004	Delaware 24/	04-288	Delaware Electric Cooperative
2004	Missouri 58/	ER-2004-0570	Empire District Electric Company
2005	Florida 50/	041272-EI	Progress Energy Florida, Inc.
2005	Florida 50/	041291-EI	Florida Power & Light Company
2005	California 59/	A.04-12-014	Southern California Edison Co.
2005	Kentucky 36/	2005-00042	Union Light Heat & Power
2005	Florida 50/	050045 & 050188-EI	Florida Power & Light Co.
2005	Kansas 38/ 40/	05-WSEE-981-RTS	Westar Energy, Inc.
2006	Delaware 24/	05-304	Delmarva Power & Light Company
2006	California 59/	A.05-12-002	Pacific Gas & Electric Co.
2006	New Jersey 1/	GR05100845	Public Service Electric and Gas Co.
2006	Colorado 60/	06S-234EG	Public Service Co. of Colorado
2006	Kentucky 36/	2006-00172	Union Light, Heat & Power
2006	Kansas 40/	06-KGSG-1209-RTS	Kansas Gas Service
2006	West Virginia 2/	06-0960-E-42T, 06-1426-E-D	Allegheny Power
2006	West Virginia 2/	05-1120-G-30C, 06-0441-G-PC, et al.	Hope Gas, Inc. and Equitable Resources, Inc.
2007	Delaware 24/	06-284	Delmarva Power & Light Company
2007	Kentucky 36/	2006-00464	Atmos Energy Corporation
2007	Colorado 60/	06S-656G	Public Service Co. of Colorado
2007	California 59/	A.06-12-009, A.06-12-010	San Diego Gas & Electric Co., and Southern California Gas Co.
2007	Kentucky 36/	2007-00143	Kentucky-American Water Co.
2007	Kentucky 36/	2007-00089	Delta Natural Gas Co.
2008	Kansas 40/	08-ATMG-280-RTS	Atmos Energy Corporation
2008	New Jersey 1/	GR07110889	New Jersey Natural Gas Co.
2008	North Dakota 37/	PU-07-776	Northern States Power/Xcel Energy
2008	Pennsylvania 3/	A-2008-2034045 et al	UGI Utilities, Inc. / PPL Gas Utilities Corp.
2008	Washington 63/	UE-072300, UG-072301	Puget Sound Energy
2008	Pennsylvania 3/	R-2008-2032689	Pennsylvania-American Water Co. - Coatesville
2008	New Jersey 1/	WR08010020	NJ American Water Co.
2008	Washington 63/ 64/	UE-080416, UG-080417	Avista Corporation
2008	Texas 65/	473-08-3681, 35717	Oncor Electric Delivery Co.
2008	Tennessee 66/	08-00039	Tennessee-American Water Co.
2008	Kansas	08-WSEE-1041-RTS	Westar Energy, Inc.
2009	Kentucky 36/	2008-00409	East Kentucky Power Coop.

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2009	Indiana 29/	43501	Duke Energy Indiana
2009	Indiana 29/	43526	Northern Indiana Public Service Co.
2009	Michigan 33/	U-15611	Consumers Energy Company
2009	Kentucky 36/	2009-00141	Columbia Gas of Kentucky
2009	New Jersey 1/	GR00903015	Elizabethtown Gas Company
2009	District of Columbia 7/	FC 1076	Potomac Electric Power

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**PARTICIPATION AS NEGOTIATOR IN FCC TELEPHONE DEPRECIATION
RATE REPRESRIPTION CONFERENCES**

<u>COMPANY</u>	<u>YEARS</u>	<u>CLIENT</u>
Diamond State Telephone Co. <u>24/</u>	1985 + 1988	Delaware Public Service Comm
Bell Telephone of Pennsylvania <u>3/</u>	1986 + 1989	PA Consumer Advocate
Chesapeake & Potomac Telephone Co. - Md. <u>8/</u>	1986	Maryland People's Counsel
Southwestern Bell Telephone – Kansas <u>20/</u>	1986	Kansas Corp. Commission
Southern Bell – Florida <u>4/</u>	1986	Florida Consumer Advocate
Chesapeake & Potomac Telephone Co.-W.Va. <u>2/</u>	1987 + 1990	West VA Consumer Advocate
New Jersey Bell Telephone Co. <u>1/</u>	1985 + 1988	New Jersey Rate Counsel
Southern Bell - South Carolina <u>22/</u>	1986 + 1989 + 1992	S. Carolina Consumer Advocate
GTE-North – Pennsylvania <u>3/</u>	1989	PA Consumer Advocate

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**PARTICIPATION IN PROCEEDINGS WHICH WERE
SETTLED BEFORE TESTIMONY WAS SUBMITTED**

<u>STATE</u>	<u>DOCKET NO.</u>	<u>UTILITY</u>
Maryland <u>8/</u>	7878	Potomac Edison
Nevada <u>21/</u>	88-728	Southwest Gas
New Jersey <u>1/</u>	WR90090950J	New Jersey American Water
New Jersey <u>1/</u>	WR900050497J	Elizabethtown Water
New Jersey <u>1/</u>	WR91091483	Garden State Water
West Virginia <u>2/</u>	91-1037-E	Appalachian Power Co.
Nevada <u>21/</u>	92-7002	Central Telephone - Nevada
Pennsylvania <u>3/</u>	R-00932873	Blue Mountain Water
West Virginia <u>2/</u>	93-1165-E-D	Potomac Edison
West Virginia <u>2/</u>	94-0013-E-D	Monongahela Power
New Jersey <u>1/</u>	WR94030059	New Jersey American Water
New Jersey <u>1/</u>	WR95080346	Elizabethtown Water
New Jersey <u>1/</u>	WR95050219	Toms River Water Co.
Maryland <u>8/</u>	8796	Potomac Electric Power Co.
South Carolina <u>22/</u>	1999-077-E	Carolina Power & Light Co.
South Carolina <u>22/</u>	1999-072-E	Carolina Power & Light Co.
Kentucky <u>36/</u>	2001-104 & 141	Kentucky Utilities, Louisville Gas and Electric
Kentucky <u>36/</u>	2002-485	Jackson Purchase Energy Corporation

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Clients

<u>1/</u> New Jersey Rate Counsel/Advocate	<u>34/</u> New Mexico Attorney General
<u>2/</u> West Virginia Consumer Advocate	<u>35/</u> Environmental Protection Agency Enforcement Staff
<u>3/</u> Pennsylvania OCA	<u>36/</u> Kentucky Attorney General
<u>4/</u> Florida Office of Public Advocate	<u>37/</u> North Dakota Public Service Commission
<u>5/</u> Toms River Fire Commissioner's	<u>38/</u> Kansas Industrial Group
<u>6/</u> Iowa Office of Consumer Advocate	<u>39/</u> City of Wichita
<u>7/</u> D.C. People's Counsel	<u>40/</u> Kansas Citizens' Utility Rate Board
<u>8/</u> Maryland's People's Counsel	<u>41/</u> NIPSCO Industrial Group
<u>9/</u> Idaho Public Service Commission	<u>42/</u> Hawaii Division of Consumer Advocacy
<u>10/</u> Western Burglar and Fire Alarm	<u>43/</u> Nevada Bureau of Consumer Protection
<u>11/</u> U.S. Dept. of Defense	<u>44/</u> GCI
<u>12/</u> N.M. State Corporation Comm.	<u>45/</u> Wisc. Citizens' Utility Rate Board
<u>13/</u> City of Philadelphia	<u>46/</u> Vermont Department of Public Service
<u>14/</u> Resorts International	<u>47/</u> Oklahoma Corporation Commission
<u>15/</u> Woodlake Condominium Association	<u>48/</u> National Assn. of State Utility Consumer Advocates
<u>16/</u> Illinois Attorney General	<u>49/</u> Nova Scotia Utility and Review Board
<u>17/</u> Mass Coalition of Municipalities	<u>50/</u> Florida Office of Public Counsel
<u>8/</u> U.S. Department of Energy	<u>51/</u> Maryland Public Service Commission
<u>19/</u> Arizona Electric Power Corp.	<u>52/</u> MCI
<u>20/</u> Kansas Corporation Commission	<u>53/</u> Transmission Agency of Northern California
<u>21/</u> Public Service Comm. – Nevada	<u>54/</u> Florida Industrial Power Users Group
<u>22/</u> SC Dept. of Consumer Affairs	<u>55/</u> Sierra Club
<u>23/</u> Georgia Public Service Comm.	<u>56/</u> Our Children's Earth Foundation
<u>24/</u> Delaware Public Service Comm.	<u>57/</u> National Parks Conservation Association, Inc.
<u>25/</u> Conn. Ofc. Of Consumer Counsel	<u>58/</u> Missouri Office of the Public Counsel
<u>26/</u> Arizona Corp. Commission	<u>59/</u> The Utility Reform Network
<u>27/</u> AT&T	<u>60/</u> Colorado Office of Consumer Counsel
<u>28/</u> AT&T/MCI	<u>61/</u> MD State Senator Paul G. Pinsky
<u>29/</u> IN Office of Utility Consumer Counselor	<u>62/</u> MD Speaker of the House Michael Busch
<u>30/</u> Unitel (AT&T – Canada)	<u>63/</u> Washington Office of Public Counsel
<u>31/</u> Public Interest Advocacy Centre	<u>64/</u> Industrial Customers of Northwestern Utilities
<u>32/</u> U.S. General Services Administration	<u>65/</u> Steering Committee of Cities
<u>33/</u> Michigan Attorney General	<u>66/</u> City of Chattanooga

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LOUISVILLE GAS)
AND ELECTRIC COMPANY FOR AN) CASE NO. 2009-00549
ADJUTMENT OF BASE RATES)

AFFIDAVIT OF MICHAEL MAJOROS

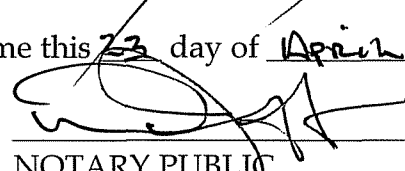
)
Commonwealth of Virginia)
)

Michael Majoros, being first duly sworn, states the following: The prepared Pre-Filed Direct Testimony, and the Schedules and Appendix attached thereto constitute the direct testimony of Affiant in the above-styled case. Affiant states that he would give the answers set forth in the Pre-Filed Direct Testimony if asked the questions propounded therein. Affiant further states that, to the best of his knowledge, his statements made are true and correct. Further affiant saith not.



Michael Majoros

SUBSCRIBED AND SWORN to before me this 23 day of April, 2010.



NOTARY PUBLIC

My Commission Expires: My Comm. Exps. DEC, 2010